

**South Carolina Department of Health and Human Services
Medical Care Advisory Committee
Item for Committee Advisement**

PREPARED BY: Mel Martin and Sam Waldrep

PRESENTED BY: Roy Hess and Sam Waldrep

DATE: August 14, 2012

SUBJECT: State Plan Amendment (SPA) for the coverage of addictive disorder treatment services under the Rehabilitative Behavior Health Services (RBHS) of the State Medicaid Plan.

OBJECTIVES: 1) To improve health outcomes through the integration of primary care and addictive disorder services; 2) To update the Medicaid State Plan to allow addictive disorder services to be covered in a bundled manner.

BACKGROUND: In 2007, the Centers for Medicare & Medicaid Services (CMS) advised the State to revise its sections of the State Medicaid Plan related to the coverage and reimbursement of RBHS. After an intensive 2 1/2 year collaborative process with CMS, a SPA was approved and implemented with an effective date of July 1, 2010. The RBHS SPA provided definitions of RBHS that would be covered along with other key components including who can provide these services and the reimbursement methodology. As part of this process and at the direction of CMS, some key services that were previously provided as bundles were unbundled as discrete, stand-alone services. Some addictive disorder services, such as detoxification and residential services, were impacted by this unbundling. Since this time, CMS has changed its philosophy concerning service bundling and is now allowing states to document and justify certain services that can be bundled into a per diem or an hourly/all-inclusive rate.

January 2012, SCDHHS signed a memorandum of agreement with the South Carolina Department of Alcohol and Other Drug Abuse Services (DAODAS) concerning the funding of addictive disorder services covered under RBHS. This agreement included the transfer of DAODAS state funds to SCDHHS for the coverage of these services for Medicaid beneficiaries. This action was also cemented through a proviso in the FY 2013 budget. Related to these efforts, SCDHHS also assumed the responsibility for fully covering the services which had previously been underfunded due to the lack of state matching funds. More importantly, part of the partnership between the two agencies included an agreement to carve-in addictive disorder services to coordinated care. This was done in recognition of the importance that exists between having acute care services more closely coordinated with primary care.

Effective January 1, 2013, all Medicaid covered addictive disorder services (with the exception of targeted case management) will be carved into coordinated care and will become part of the monthly capitated rate paid to the managed care organizations. Generally, these are not new services that will be covered. Rather, discrete services are being reconfigured into bundles. Six new bundles will be developed, four of which will reimburse as a daily per diem, and two that will reimburse as an hourly all-inclusive rate. The bundles include: clinically managed residential detoxification, medically monitored detoxification, clinically managed

high-intensity residential treatment, medically monitored inpatient treatment, day treatment/partial hospitalization, and intensive outpatient treatment. Discrete, or stand-alone, services have been modified to align codes more closely with industry standards, using Current Procedural Terminology (CPT) and Healthcare Common Procedure Codes and related definitions.

BUDGETARY IMPACT: During FY 2011-12, \$12,261,155 was spent on Medicaid reimbursed addictive disorder services. For FY 2012-13, the estimated budget for these services is \$13,463,848.

EXPECTED OUTCOMES: Behavioral health (i.e., mental health and substance abuse) and physical health services historically have been divided among separate state agencies and provider networks, resulting in fragmented systems of care. The consequences are poor quality of life for beneficiaries and excessive costs for taxpayers. More effective linkages between physical and behavioral health care is required. By integrating addictive disorder treatment services to the Managed Care Organizations, the expectation is improved health outcomes at a more reasonable cost.

EXTERNAL GROUPS AFFECTED: DAODAS, (4) Managed Care Organizations, and the 31 local alcohol and drug abuse agencies

RECOMMENDATION: To approve the submission of a SPA to rebundle addictive disorder services under the RBHS section of the State Medicaid Plan.

EFFECTIVE DATE: January 1, 2013

Generally, these are not new services that will be covered.